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<p>Tiivistelmä-Referat-Abstract</p> <p>Even though trade wars between Italy and France were definitely not a new phenomenon, when in 1969 the six members of the EEC decided to lay down the foundations of the wine common market, they hardly imagined the consequences that this kind of decision would have implied later on. For the first time ever French leadership was seriously threatened by import wines: by the spring 1975, when the first symptoms of overproduction appeared, the stage was set for the harshest trade conflict ever occurred between two of the major partners of the common market area. Accusations of despicable economic practices hampering the principle of free trade were facing claims of illegal dumping exercises. Starting from a simple model on reciprocal dumping developed by Brander and Krugman (1983), this paper analyses the impact on dumping practices among economies with imperfectly competitive industries and firms producing homogeneous output. Particular emphasis is given to the problem of market leadership and of modelling trade as a multi-stage game where retaliation plays a fundamental role. The impact of different strategic tools as tariffs and subsidies is analysed, together with the overall effect of trade or autarky on overall welfare.</p> <p>While the theory often suggest equivocal payoffs, when considering the case of France-Italy wine trade and in the light of available evidence, the long run gains brought about to French consumers in the form of lower prices, reduced monopoly power and increased competition seem to have outweighed the losses incurred by its producers. Even though rationale for trade inhibiting practices has been in this paper theoretically shown to be sound, we have seen that retaliation often wipes off the benefits coming about through tariffs, subsidies and the likes. Ultimately, all the argumentation introduced in this paper braces more or less directly the free trade solution, since trade increases welfare through the effect of a reduced degree of monopoly in each country. This is a solution desirable under the pure economic point of view.</p>			
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